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Determinants of USAID Spending

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This paper examines the determinants of USAID's foreign aid disbursements from 2002-2016. Three noteworthy findings emerge. First, USAID foreign aid is based more on political considerations rather than the policies of recipient countries. Second, foreign aid is determined by location and political history. Third, this pattern emerges across all categories of USAID disbursements.

Introduction

Global income inequality has been decreasing over the last several decades, much of that is in part due to international programs designed to alleviate poverty. The worldwide Gini Coefficient, the most common measurement of income inequality between 0 (perfect equality) and 100 (perfect inequality), has declined from 69 in 2003 to 65 in 2013, and is expected to decline further to 61 by 2035 (Tomas Hellebrand, 2015). The Organization for Economic Co-operation and Development (OECD) members donated over 176,500 million dollars in 2016, as part of official development assistance (OECD, 2018). This amount comes from many developed countries, including the United States, Canada, and the United Kingdom. As global inequality persists there is a natural demand for income transfers from wealthy countries to developing countries, and this demand is expected to increase as the world faces increasing globalization and a rapidly growing population in the developing world.

Foreign aid has been, and is likely to remain, a controversial topic. Advocates argue that foreign aid can help bring positive influences to developing nations in need of a boost. The United States Agency for International Development's (USAID) mission statement reads "On behalf of the American people, we promote and demonstrate democratic values abroad, and advance a free, peaceful, and prosperous world. In support of America's foreign policy, USAID leads the U.S. Government's international development and disaster assistance through partnerships and investments that save lives, reduce poverty, strengthen democratic governance, and help people emerge from humanitarian crises and progress beyond assistance" (USAID, 2018). The basic idea being that the stronger and more stable a foreign nation is, the better it is for that nation and for the U.S. Altruistically, the U.S. would like to see improvements in certain socio-economic indicators with the addition of aid; such as GDP per capita, life expectancy, moving off aid dependency, a decrease in the infant mortality rate, etc. Self-servingly, the U.S. may want to see more trade, better trade deals, and a stronger strategic alliance in international politics among other things.

Opponents to foreign aid argue that it does more harm than good, creating dependency and fostering corruption. Ideally, foreign aid funding should go to countries in great need with strong governance principals to maximize the use of such assistance. It should target those with high poverty rates and poor institutions, as those are the countries that need outside assistance the most. Funds should not be spent in corrupt governments since these administrations will reduce the effectiveness of that aid and often deem it inept (Alesina & Weder, 2002). There is little evidence to suggest that the U.S. actually distributes aid this way. In many cases aid is correlated with high corruption levels with little evidence of growth or any measurable success. Economists like Angus Deaton argue that "most governments depend on their people for taxes in order to run themselves and provide services to their people. Governments that get all their money from aid don't have that at all" (Swanson, 2015). The idea that aid can make governments less accountable to their people and inspire corruption and inefficacies may detract from the logic that more money injected into an economy should create an increase in economic growth.

USAID does not have an official procedure to determine which countries are eligible to receive foreign aid as well as the size of the aid. Instead, USAID funds individual programs and grants without focusing on the macro disbursement of funds. This paper will analyze what factors determine how USAID disburses its yearly budget by country. In particular, it examines which countries will benefit as a result of this small scale decision making process, once aggregated on a global scale. The empirical analysis are carried out using data from 2002 to 2016 from the official USAID spending reports, and indicators from the World Bank database. I will only examine "Economic" disbursements, and exclude "Military" disbursements, which primarily target Afghanistan and the Middle East, to seek patterns in how USAID disburses funds on economic development projects.

Conventional wisdom suggests that foreign aid targets countries with good policies, low levels of corruption, and most in need of aid. In contrast, the findings suggest that USAID's foreign aid is

determined by political factors, with aid being funneled not on merit but instead on politically beneficial motivations to U.S. allies and politically popular spending.

Background and Literature Review

Foreign aid includes programs such as "bilateral aid, multilateral aid from international organizations, grants at below- market rates, technical assistance, and debt forgiveness programs and more" (Alesina & Weder, 2002). These programs are ideally designed to increase economic growth and create greater stability in developing countries.

These are the same types of program that USAID regularly employs. USAID disburses its spending through a variety of sub-agencies including: bureaus for several different regions, Bureau for Global Health, Bureau for Economic Growth Agriculture and Trade, Bureau for Democracy Conflict and Humanitarian Assistance, and Office of the Chief Information Officer. Each sub-agency can distribute the funds under a different channel category, such as through universities and research Institutes, public and private partnerships, non-government agencies (NGOs), government, enterprises, and multilateral organizations (such as the World Bank, World Food Program, and the United Nations (U.N.)). These agencies include U.S. and non-U.S. organizations, as well as multilateral organizations like the U.N. and World Bank.

USAID then breaks down spending by sub-categories for recipient of funding including U.S. based NGOs and enterprises, multilateral projects, and university and research institutes. The largest quantity of projects (not funding) to receive some amount of USAID disbursements between 2002 and 2016 were U.S. based enterprise projects, which make up over 30% of all USAID funded projects. The next largest is U.S. based NGOs making up 16.2% of projects, and U.S. based government projects making up 15.4% of all projects receiving funds. The largest number of projects funded at least partially by USAID that are not based with U.S. related organizations are non-U.S. enterprise programs, which

make up 14.4%. The range of USAID projects and spending are very large, but they should all follow the same general strategy to perform effectively.

Burnside and Dollar (2000) found that countries with sound economic policies and low corruption who received foreign aid experienced accelerated economic growth, as compared to countries with unproductive government spending and policies, which saw no additional economic growth from additional aid. They found that institutional quality and policy were very strongly related to economic growth in lower-income countries. It appears that factors that contribute to economic growth in developing countries are the same factors that make foreign aid effective. This would indicate that foreign aid works more as a "boost" to growth, rather than having the ability to create growth by itself. Unfortunately, there was no indication that total or bilateral aid was focused toward countries with good policies. However, multilateral aid did appear to focus more on countries with these positive policies.

Other past research has shown that U.S. spending is not focused on government quality effectiveness of foreign aid but instead on whether or not the country classifies as a democracy. For example, using data over 1975-1995, Alesina and Weder (2002) report a negative relationship between U.S. foreign aid allocation and corruption, indicating that the U.S. typically gives more aid per capita to more corrupt governments. Alesina and Weder also show that a large share of U.S. foreign aid is allocated for Israel, most likely due to strong political relationship.

Alesina and Dollar (2000) provide additional evidence on U.S. foreign aid allocation. Their findings is consistent with previous literature, that foreign aid is dictated primarily by "political and strategic considerations, much more than by the economic needs and policy performance of recipients". The U.S. in particular tends to target the Middle East by providing one third of its total assistance to Egypt and Israel between 1975 and 1995 (Alesina & Dollar, 2000). The U.S. also favors trade openness

disproportionately compared to other countries. This could indicate that the U.S. favors countries that may allow them more economic opportunities.

The findings from previous literature suggest that foreign aid typically favors poorer, smaller countries. Countries with small population and small GDP typically received a higher level of aid per capita than their larger counterparts.

The primary purpose of this study is to empirically examine two questions. First, what factors influence USAID's disbursement of its foreign aid funds? Second, are specific categories of funding affected by different country-specific characteristics? USAID's largest allocation of funds is through non-government Organizations (NGOs), followed by U.S. based enterprises. They also fund churches, universities and research institutions, foreign enterprises, U.S. and foreign government projects, multilateral projects, international and foreign NGOs, public and private partnerships, and networks.

Conventional wisdom suggests that NGOs are more effective at aid allocation than other donors. They are seen as a-political, non-commercial, and not loyal to religious affiliations. As such, they are often assisted in funding and grants through governmental organizations such as USAID. This causes some scrutiny, since once a government entity begins funding an NGO the inherent "a-political" nature of the NGO is disrupted, and they will be influenced by the funder. NGOs are supposed to circumvent inefficient government donors, and provide aid directly in the neediest places. NGO projects may include partnerships with cooperative organizations, foundations, as well as local and regional organizations (USAID, 2017).

Available research suggests that NGOs focus on targeting countries with the lowest income per capita (Koch, Dreher, Nunnenkamp, & Thiele, 2008). They also generally follow each other and other bilateral aid to countries receiving higher aid. When a country receives more aid, NGOs tend to put more aid there. NGOs also appear to fund more democratic countries, countries with more income inequality, and countries with lower trade exports (Koch, Dreher, Nunnenkamp, & Thiele, 2008). All of these tend to

fall in line with what is considered “good aid”, with the exception of the clustering together effect and following their funder’s locations. This leaves some doubt of the autonomy of NGO behavior.

The second largest subcategory disbursement receiver is U.S. based enterprise projects. They made up over 22% of USAID’s budget from 2002-2016. Over the years this number has dramatically decreased. In 2005 they made up over 32% of all USAID spending, but by 2016 it was just under 16%, as seen in Table 1. U.S. based enterprises include companies like Dell Inc., AT&T, Booz Allen Hamilton, and Xerox. USAID works with these partners in a numbers of ways, including providing financing “to find and test cost effective, scalable development solution through venture capital style grant competition” or “Offering field support, industry expertise and country-specific knowledge to help facilitate sustainable investment opportunities in developing countries” (USAID, 2018). Some examples include working with Olam International to expand rice production through use of Olam’s experience in supply chain management, or working with Google to bring high-speed communications infrastructure to Liberia (USAID, 2018).

Multilateral aid projects in general, as well as the World Bank as an organization, target good policies and effective implementation of foreign aid projects when allocating aid (Burnside & Dollar, 2000). These projects are done with representatives from several countries, making political motivations less apparent, instead focusing more on “effective aid” than bilateral aid. These projects include working with other countries “like the United Kingdom, Japan and Sweden; multilateral organizations, such as the World Bank Group, other multilateral development banks, and the various United Nations agencies” (USAID, 2017).

Other categories such as government, networks, public and private partnerships, and universities and research all fall under traditional bilateral aid. Past research on these types of organizations fall in line with overall bilateral aid when coming from the U.S.: they tend to not focus on corruption or policy effectiveness, and instead focus on political considerations.

Model

Past models analyzing distribution of foreign aid have focused on the effect of a variety of factors as to who receives how much and why. Alesina and Weder also viewed aid as log of aid per capita, to hold constant the relative aid received by countries, where larger countries would naturally receive more aid.

$$Ln(ApC) = \beta_0 + \beta_1 Ln(Y_0) + \beta_2(Pop) + \beta_3 Gov + \beta_4(Econ) + \beta_5 Social + \beta_6 Region + \beta_6 Outlier + \epsilon$$

The dependent variable of interest is the log of aid per capita ($Ln(ApC)$). The goal is to find how each of these factors influences the amount of aid per capita received by each country. The explanatory variables include the log of initial income (Ln Y_0), measured by the log of real GDP per capita in the first year of each five-year period, and log of population (Ln Pop) as a measure of country size. Conventional wisdom suggests that poorer countries would receive more aid, and countries with smaller population tend to receive more aid per capita. These variables follow Burnside and Dollar's (2000).

USAID's strategic interests include economic as well as social interests. I measure USAID's economic interests (Econ) by GDP growth, foreign direct investments (FDI) made into the country, and trade shares. I measure USAID's social interests (Social) by factors such as prevalence of H.I.V., income inequality, and net migration.

Each country also has rankings in general government quality (Gov), broken down into government effectiveness, control of corruption, political stability, regulatory quality, rule of law, and voice and accountability. These variables are measured on a standard deviation scale, of roughly -2.5 to 2.5.

I also include dummy variables for USAID measures of region. The regions include East Asia and Oceana, Europe and Eurasian, Middle East and North Africa, Sub-Saharan Africa, South and Central Asia, and the Western hemisphere.

Figure 1 plots per capita USAID aid disbursement across countries on the vertical axis against average per capita income over 2002-2016 sample periods. Israel, Cyprus, Jordan, and the West Bank and Gaza all appear to be outliers. Therefore, I treat these countries as outliers.

Data

I use two primary sources of data: the USAID official spending report and the World Bank Economic Indicators. Both are available on the respective organizations websites. The variable of primary interest is USAID aggregate spending (total disbursement) by country as well as spending by category in each country. I limit the data to countries who received foreign economic aid disbursements from a USAID funded project every year from 2002-2016. The goal here is to focus on developing countries who receive regular spending from USAID. Occasionally there are USAID projects that do not go to countries that could be labeled as developing over the whole time period, such as a one-time project for "Assistance for the Independent States of the Former Soviet Union" that took place in Saudi Arabia in 2002. This also focuses on aid specifically between USAID and a recipient country, where some projects are considered worldwide or for entire regions. I also limit the analysis to economic aid, rather than military aid, which is primarily focused in Afghanistan and Israel. The goal is to see aid going for development of countries. This results in a sample of 106 countries. I omit Niger and Somalia due to several missing observations in the World Bank data, leaving 104 countries for my analysis.

The second data source is from the World Bank. The World Bank maintains a database of 1574 indicators for 264 countries. For the purpose of this paper, I have taken several worldwide indicators of governance quality (World Governance Indicators or WGI), such as corruption, government effectiveness, political stability and absence of violence/terrorism, regulatory quality, rule of law, and

voice and accountability. All of the indicators are in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5 (Kaufmann & Kraay, 2018). They are further explained in the appendix at the end of the paper. Net migration is the number of immigrants minus the number of emigrants, including citizens and non-citizens. The World Bank measures net migration as five year periods from July 1st to June 30th, over the intervals 2000-2005, 2005-2010, and 2010-2015. These dates do not exactly match the panels in my analysis, but I use them as a close approximation to migration during my panels.

Following Alesina and Weder (2002), I construct three five-year average cross-sectional data sets over 2002-2006, 2007-2011, and 2012-2016. Five-year averaging has two beneficial aspects: first, it helps to smooth changes in macro variables and accounts for business cycle movements. Second, it also helps to fill in missing values when one or more observations are not available.

Analysis and Results of Total Disbursements

Table 2 reports the estimation results for each of the three cross-sections as well as the whole panel data. Several interesting patterns emerge. First, consistent with previous studies, initial income has a negative impact on foreign aid in the absence of the initial income squared. However, adding the squared term changes the sign on initial income to positive with a negative sign on its squared term. This implies that poorer countries tend to receive more aid, and as their income increases, their aid per capita diminishes. Note, however, that the initial income variables are only significant in the panel estimates.

Second, population reacts similar to income, and is significant across all cross-sections and the whole panel. Smaller countries tend to get more aid, with the effect of additional population decreasing the amount of aid per capita quicker as countries grow larger.

Third, the measure of political stability and absence of violence has a negative coefficient across the three cross-sections and the whole panel. This index measures “perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism”. It appears that USAID

spending targets unstable areas and attempts to stabilize them. USAID may be reacting as a stabilizing agent during crises. It may not make sense for development in the conventional sense, but could help to create stability in crisis areas.

Fourth, the proxy for control of corruption is statistically insignificant. This falls in line with past literature that despite evidence that corruption reduces or nullifies the effectiveness of aid, U.S. disbursements of aid appear to be unaffected by this factor.

Fifth, the effect of regional dummies is consistent with past literature. Sub-Saharan Africa has been left out of Table 2 and 3, as the comparison group. Middle East and North Africa dummy is significant and positive before accounting for Israel, Jordan, and West Bank and Gaza. These three countries are all positive outliers, and represent the United States clear interest in the region. Europe and Eurasia is also significant and positive overall, especially in the first panel of 2000-2006. This may be from the region improving economically over this time frame, as well as more time separating the fall of communism in many of these countries. Closer to the fall of the Berlin wall the U.S. seemed to provide more aid, and may have had more interest in the area becoming economically stable and politically friendly. This is also when many of the countries located in Eastern Europe began joining NATO and the EU, reducing the load on USAID to provide assistance. The coefficient of Western hemisphere is also significant and positive for 2002-2006, before losing its significance overtime. This matches up with the beginning of the “Pink Tide”, when many South and Central American countries elected a series of far left governments, often clashing in rhetoric with the leadership in America. These political changes were often seen as anti-American or anti-capitalist, and could have contributed to a lowering of disbursements to the area. The coefficient of the dummy for Jordan and West Bank and Gaza remain significantly positive across all years, while Israel is only positive and significant from 2002-2006. This may reflect political changes that took place in the U.S., as well as historical events and regional stability differences from the early 2000’s to now.

Table 3 examines the robustness of the results from panel data by including and excluding certain variables. A number of interesting patterns emerges from this analysis. First, economic factors, like GDP growth and trade shares are not particularly significant. Second, FDI inflows have a positive effect on USAID spending. Since USAID spends much of its money on enterprise spending, it makes sense that much of this money is going where enterprises already are, and very likely spending is influenced by where investors want to spend money. USAID spending could work to stabilize or improve areas where enterprises see the possibility of investments. Third, a higher H.I.V. prevalence tends to increase USAID spending. This is intuitive, since many USAID programs are targeted directly towards the prevention and treatment of H.I.V. Fourth; USAID spending is slightly negatively correlated with income inequality (the GINI coefficient). USAID appears to focus spending on more equal countries.

Analysis and Results by Spending Category

Table 4 breaks down USAID spending in each country based on the spending recipient category. The main findings are as follow: first, coefficient of log of initial income is positive while the coefficient for log of initial income squared is negative, indicating that after a certain level of income, foreign aid spending tends to decrease. The only significant exception is for church spending, where these signs are reversed. This shows that churches actually spend more money in wealthier countries, in contrast to other categories of spending.

Second, population density is only significant for multilateral and NGO/network spending, which focus on lower population density countries. This follows that both of these spending categories tend to do more focused aid, and are able to spread out and assist residents in rural areas more often than other categories. These are also two of the three largest categories of spending, driving population densities overall significance.

Third, control of corruption is insignificant, while government effectiveness is only significant for the universities category. This contrasts traditional thinking on effective foreign aid disbursements that aid should go to effective governments with low corruption.

Fourth, political stability and absence of violence/terrorism is negative and significant for U.S. enterprises, multilateral spending, and NGO/networks, the three largest categories of spending. It appears aid targets less stable areas, in an attempt to stabilize them.

Fifth, the effect of voice and accountability is positive across all categories except for churches, non-U.S. government, multilateral, and public private partnerships. This is the strongest of the WGI estimators' overall and seems to be an important factor for USAID disbursements across all categories.

Sixth, Israel is interestingly only positive and significant for non-U.S. government spending. This category is almost entirely focused on direct spending to governments in Israel, Jordan, and the West Bank and Gaza. West Bank and Gaza on the other hand is positive and significant for all categories of spending expect for public private partnerships, and universities. It seems that USAID funds a wider variety of agencies and categories in the West Bank and Gaza than Israel, where it only funds Israel's government directly.

Conclusion

Looking at USAID spending through the years and by region, it shows how much historical events and political relationships affect USAID disbursements. Major events over the 15 year span examined in this paper seem to rapidly shift spending focuses to different regions. Much like the previous literature suggest, U.S. foreign aid does not appear to target corruption or government effectiveness, both of which have been proven to be major factors in effective growth. Instead, USAID spending seems to focus on targeting specific regions for reasons outside of countries individual characteristics.

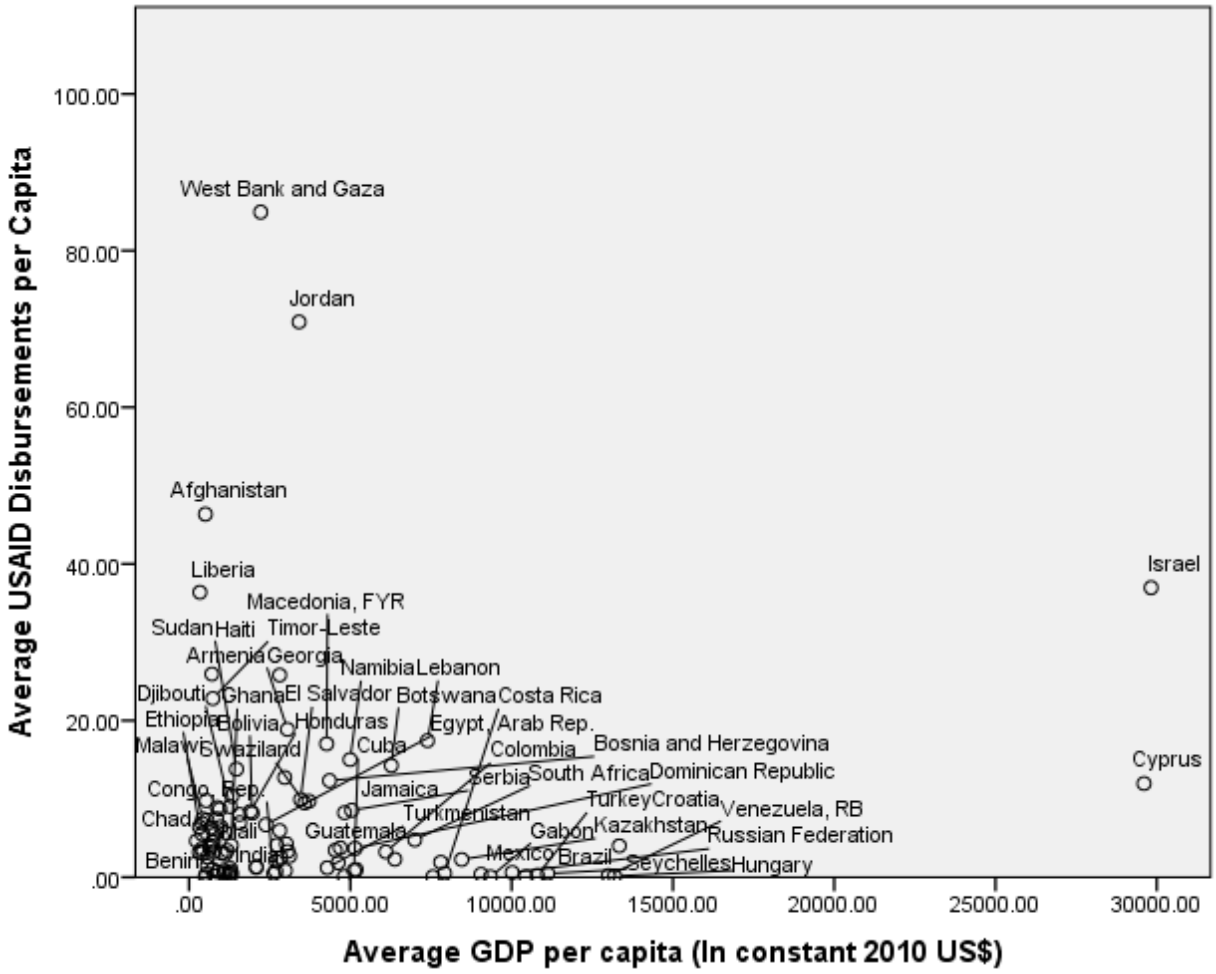
While each individual spending category varies, most also seem to focus on the Middle East, rather than the individual characteristics of a country. No individual category seems to focus on "good aid", focusing disbursements towards good governance and a lack of corruption. University spending was the only category positive and significant for government effectiveness.

Overall, USAID needs to reevaluate its process for disbursement of funds, and focus its spending on merits, where countries effectively utilizing foreign aid spending receive more funds. Funds should be tied to good policy and effective usage, or else much of the spending with no empirical proof of effectiveness.

Figures

Figure 1

Average USAID Disbursements per Capita vs Average GDP per Capita, 2002-2016



Tables- Table 1

TOTAL ECONOMIC USAID DISBURSEMENTS IN 2010 DOLLARS, BY YEAR, BY SPENDING CATEGORY

YEAR	Church Spending	Non-U.S. Enterprise Spending	U.S. Enterprise Spending	Non-U.S. Government Spending	U.S Government Spending	Multilateral Spending	NGO/Network Spending	Public Private Spending	Universities Spending	Total per year (Percentage) Total Spending
2002	374,651,390 (3.2)	526,661,690 (4.5)	2,728,384,583 (23.6)	2,467,446,873 (21.3)	1,043,484,251 (9.0)	997,802,342 (8.6)	3,001,693,240 (25.9)	9,463,735 (0.1)	430,585,287 (3.7)	11,580,173,391 (100.0)
2003	527,549,574 (4.1)	477,964,611 (3.7)	2,781,589,787 (21.5)	2,546,657,117 (19.7)	1,254,698,905 (9.7)	1,488,602,979 (11.5)	3,465,591,929 (26.8)	16,768,879 (0.1)	374,657,087 (2.9)	12,934,080,868 (100.0)
2004	509,087,495 (3.8)	463,030,473 (3.5)	4,233,814,258 (31.8)	1,504,630,996 (11.3)	1,259,778,145 (9.5)	1,295,048,026 (9.7)	3,453,580,810 (25.9)	19,971,044 (0.2)	572,509,671 (4.3)	13,311,450,918 (100.0)
2005	417,773,163 (3.0)	398,531,610 (2.9)	4,454,193,573 (32.1)	1,358,646,529 (9.8)	1,182,058,969 (8.5)	2,277,891,981 (16.4)	3,288,588,309 (23.7)	18,261,871 (0.1)	466,249,905 (3.4)	13,862,195,910 (100.0)
2006	367,705,082 (2.7)	489,558,020 (3.6)	3,950,737,487 (28.9)	744,723,969 (5.4)	1,237,503,659 (9.0)	2,564,585,644 (18.7)	3,768,115,403 (27.5)	25,642,407 (0.2)	543,780,521 (4.0)	13,692,352,192 (100.0)
2007	340,980,879 (2.8)	549,011,359 (4.5)	2,882,532,403 (23.9)	851,163,693 (7.0)	1,209,089,086 (10.0)	2,013,212,917 (16.7)	3,603,607,912 (29.8)	41,968,039 (0.3)	592,540,016 (4.9)	12,084,106,304 (100.0)
2008	412,244,399 (2.8)	866,467,425 (5.9)	3,201,166,499 (21.6)	426,207,406 (2.9)	1,154,982,797 (7.8)	3,607,534,335 (24.4)	4,440,893,222 (30.0)	45,776,778 (0.3)	650,892,522 (4.4)	14,806,165,383 (100.0)
2009	456,768,997 (2.6)	798,795,478 (4.5)	3,419,001,882 (19.1)	1,562,220,962 (8.7)	1,193,476,866 (6.7)	4,164,621,785 (23.3)	5,448,386,109 (30.5)	53,124,101 (0.3)	779,023,221 (4.4)	17,875,419,401 (100.0)
2010	493,044,275 (3.0)	973,644,310 (5.9)	3,747,308,327 (22.7)	967,111,792 (5.9)	1,482,650,685 (9.0)	2,763,247,789 (16.8)	5,335,847,702 (32.4)	41,542,028 (0.3)	689,025,507 (4.2)	16,493,422,415 (100.0)
2011	471,620,158 (2.6)	1,070,819,627 (6.0)	4,161,998,666 (23.2)	872,059,034 (4.9)	1,169,171,162 (6.5)	3,615,399,304 (20.2)	5,791,038,157 (32.3)	31,188,742 (0.2)	758,257,617 (4.2)	17,941,552,467 (100.0)
2012	377,867,778 (2.1)	932,151,188 (5.1)	3,923,815,209 (21.3)	664,234,432 (3.6)	1,719,894,395 (9.3)	5,052,695,202 (27.4)	5,045,205,244 (27.4)	36,337,357 (0.2)	664,949,048 (3.6)	18,417,149,853 (100.0)
2013	304,620,914 (1.7)	1,174,733,856 (6.6)	3,753,875,792 (21.0)	1,239,475,356 (6.9)	1,735,008,026 (9.7)	3,938,002,783 (22.0)	5,086,352,130 (28.4)	48,930,414 (0.3)	620,054,838 (3.5)	17,901,054,109 (100.0)
2014	318,546,841 (1.8)	1,245,815,465 (6.9)	3,375,587,308 (18.8)	486,498,403 (2.7)	1,849,180,561 (10.3)	4,908,922,263 (27.3)	5,046,281,280 (28.1)	41,152,224 (0.2)	686,026,966 (3.8)	17,958,011,311 (100.0)
2015	520,346,911 (2.8)	1,156,286,621 (6.3)	3,452,844,386 (18.7)	919,635,135 (5.0)	1,814,340,687 (9.8)	4,466,735,168 (24.2)	5,370,516,725 (29.1)	70,252,775 (0.4)	666,357,217 (3.6)	18,437,315,625 (100.0)
2016	611,849,070 (3.2)	1,184,877,582 (6.2)	3,023,690,847 (15.9)	688,868,217 (3.6)	2,055,715,315 (10.8)	5,513,879,807 (29.0)	5,143,165,888 (27.1)	46,747,993 (0.2)	716,940,774 (3.8)	18,985,735,493 (100.0)
TOTAL	6,874,367,170 (2.8)	12,786,353,741 (5.2)	55,503,933,736 (22.6)	18,996,726,182 (7.7)	22,449,313,221 (9.1)	49,392,294,524 (20.1)	69,787,910,006 (28.4)	554,338,064 (0.2)	9,527,336,994 (3.9)	245,872,573,638 (100.0)

Table 2

FACTORS INFLUENCING DISBURSEMENT OF USAID SPENDING, BY PANEL

				COEFFICIENT (SIGNIFICANCE)
	CROSS SECTIONAL ANALYSIS			PANEL ANALYSIS
	Cross Section 1	**Cross Section 2**	**Cross Section 3**	**Panel**
(CONSTANT)	-8.53	-9.38	-18.60**	-14.09 ***
	(.25)	(.27)	(.03)	(.00)
INITIAL INCOME	.58	1.40	1.74	1.67***
	(.60)	(.25)	(.17)	(.01)
INITIAL INCOME SQUARED	-.07	-.13	-.14*	-.14***
	(.31)	(.11)	(.09)	(.00)
LOG POPULATION	1.52**	1.24	2.07***	1.62***
	(.04)	(.13)	(.01)	(.00)
LOG POPULATION SQUARED	-.06**	-.04*	-.07***	-.06***
	(.02)	(.08)	(.01)	(.00)
LOG POPULATION DENSITY PEOPLE PER SQ. KM OF LAND AREA	-.10	-.19***	-.07	-.11***
	(.15)	(.01)	(.33)	(.01)
GOVERNMENT EFFECTIVENESS ESTIMATE	1.18**	.83*	-.13	.40
	(.02)	(.07)	(.78)	(.12)
CONTROL OF CORRUPTION ESTIMATE	-.24	.37	.40	.20
	(.51)	(.40)	(.26)	(.35)
POLITICAL STABILITY AND ABSENCE OF VIOLENCE TERRORISM ESTIMATE	-.32**	-.33**	-.51***	-.41***
	(.04)	(.05)	(.01)	(.00)
REGULATORY QUALITY ESTIMATE	-.35	.07	.34	.04
	(.31)	(.84)	(.33)	(.84)
RULE OF LAW ESTIMATE	-.57	-1.00*	-.16	-.40
	(.21)	(.07)	(.78)	(.15)
VOICE AND ACCOUNTABILITY ESTIMATE	.64***	.31	.18	.37***
	(.00)	(.13)	(.35)	(.00)
EAST ASIA AND OCEANIA	.00	-.14	-.14	-.09
	(1.00)	(.69)	(.68)	(.63)
EUROPE AND EURASIA	1.13***	.63**	.09	.60***
	(.00)	(.05)	(.78)	(.00)
MIDDLE EAST AND NORTH AFRICA	.89**	.61	.01	.46*
	(.05)	(.22)	(.99)	(.09)
SOUTH AND CENTRAL ASIA	.41	.18	.11	.20
	(.16)	(.59)	(.74)	(.26)
WESTERN HEMISPHERE	.68**	.22	.12	.31*
	(.02)	(.50)	(.71)	(.07)
ISRAEL	3.22***	.53	-.31	1.31**
	(.00)	(.64)	(.78)	(.04)
CYPRUS	1.08	2.30**	1.30	1.74 ***
	(.27)	(.03)	(.19)	(.00)
JORDAN	2.83***	2.28**	2.55***	2.54***
	(.00)	(.02)	(.01)	(.00)
WEST BANK AND GAZA	2.51***	2.75***	1.82*	2.29***
	(.01)	(.01)	(.06)	(.00)
DEGREES OF FREEDOM	104	104	104	314
R SQUARED	0.59	0.50	0.51	0.46
ADJUSTED R SQUARED	0.50	0.39	0.39	0.42

Table 3

FACTORS INFLUENCING DISBURSEMENT OF USAID SPENDING

COEFFICIENT (SIGNIFICANCE)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
(CONSTANT)	8.09 ***	-20.17***	-19.97 ***	-17.63 ***	-9.52*	-11.40**
	(.00)	(.00)	(.00)	(.00)	(.07)	(.03)
INITIAL INCOME	-.33***	1.49***	1.94***	2.31***	1.73***	2.89***
	(.00)	(.01)	(.00)	(.00)	(.01)	(.00)
INITIAL INCOME SQUARED		-.12***	-.14***	-.17***	-.14***	-.21***
		(.00)	(.00)	(.00)	(.00)	(.00)
LOG POPULATION	-.25***	2.43***	2.15***	1.79***	1.11**	.78
	(.00)	(.00)	(.00)	(.00)	(.04)	(.14)
LOG POPULATION SQUARED		-.08***	-.08***	-.06***	-.04***	-.03*
		(.00)	(.00)	(.00)	(.01)	(.06)
LOG POPULATION DENSITY PEOPLE PER SQ. KM OF LAND AREA	-.08*	-.04	-.01	.04	.00	.00
	(.09)	(.35)	(.85)	(.44)	(.63)	(.82)
URBAN POPULATION PERCENTAGE OF TOTAL	.00	.00	.00	.01	.00	.00
	(.37)	(.41)	(.77)	(.13)	(.87)	(.30)
GOVERNMENT EFFECTIVENESS ESTIMATE	-.05	.22	.17	.08	.21	.29
	(.85)	(.41)	(.54)	(.76)	(.45)	(.26)
CONTROL OF CORRUPTION ESTIMATE	.27	.29	.44*	.53**	.42*	.21
	(.25)	(.20)	(.07)	(.03)	(.08)	(.36)
POLITICAL STABILITY AND ABSENCE OF VIOLENCE TERRORISM ESTIMATE	-.56***	-.67***	-.68***	-.65***	-.57***	-.41***
	(.00)	(.00)	(.00)	(.00)	(.00)	(.00)
REGULATORY QUALITY ESTIMATE	.57***	.08	.05	.14	-.01	.02
	(.00)	(.68)	(.81)	(.52)	(.95)	(.91)
RULE OF LAW ESTIMATE	-.18	.06	-.18	-.32	-.22	-.40
	(.51)	(.81)	(.51)	(.26)	(.48)	(.17)
VOICE AND ACCOUNTABILITY ESTIMATE	.03	.21*	.35 ***	.44***	.41***	.47***
	(.80)	(.06)	(.00)	(.00)	(.00)	(.00)
ANNUAL GDP GROWTH			.03	.03	.03*	.02
			(.14)	(.16)	(.08)	(.27)
FDI PERCENTAGE OF GDP			.03 **	.02**	.03***	.03***
			(.02)	(.02)	(.01)	(.01)
TRADE PERCENTAGE OF GDP			.00	.00	.00	.00*
			(.60)	(.11)	(.15)	(.06)
PREVALENCE OF H.I.V. (AGES 15-49)				.05***	.07***	.06***
				(.00)	(.00)	(.00)
GINI INDEX WORLD BANK ESTIMATE				-.03***	-.03	-.02**
				(.00)	(.02)	(.02)
TOTAL NET MIGRATION				.00	.00	.00*
				(.34)	(.20)	(.07)
EAST ASIA AND OCEANIA					.09	-.01
					(.69)	(.96)
EUROPE AND EURASIA					.63***	.62***
					(.00)	(.00)
MIDDLE EAST AND NORTH AFRICA					.96***	.51*
					(.00)	(.06)
SOUTH AND CENTRAL ASIA					.12	.08
					(.60)	(.70)
WESTERN HEMISPHERE					.78***	.77***
					(.00)	(.00)
ISRAEL						1.87***
						(.00)
CYPRUS						1.69***
						(.00)

JORDAN						2.75*** (.00)
WEST BANK AND GAZA						2.24*** (.00)
DEGREES OF FREEDOM	314	314	287	277	277	277
R SQUARED	0.24	0.33	0.36	0.41	0.46	0.53
ADJUSTED R SQUARE	0.21	0.30	0.33	0.37	0.41	0.48

Table 4

FACTORS INFLUENCING DISBURSEMENT OF USAID SPENDING, BY RECIPIENT CATEGORY

									Coefficient (Significance)
	Church	**Non-U.S Enterprise**	**U.S. Enterprise**	**Non-U.S Government**	**U.S. Government**	**Multilateral**	**Ngo/Network**	**Public Private**	**Universities**
(CONSTANT)	.07	-1.98	-8.59***	.11	-3.42**	-.23	-8.04**	-.05	-2.52**
	(.95)	(.28)	(.01)	(.94)	(.03)	(.92)	(.02)	(.37)	(.03)
LOG INITIAL INCOME	-.52***	.33	.92**	.33	.52**	-.42	.94*	.00	.15
	(.00)	(.21)	(.04)	(.13)	(.02)	(.21)	(.06)	(.90)	(.34)
LOG INITIAL INCOME SQUARED	.03***	-.03	-.08***	-.03**	-.04***	.02	-.08***	.00	-.01
	(.01)	(.13)	(.01)	(.07)	(.01)	(.33)	(.01)	(.85)	(.25)
LOG POPULATION	.29***	.23	.99***	-.03	.29	.41*	.99***	.01	.29***
	(.01)	(.20)	(.00)	(.85)	(.05)	(.07)	(.00)	(.22)	(.01)
LOG POPULATION SQUARED	-.01***	-.01	-.04***	.00	-.01**	-.02**	-.03***	.00	-.01***
	(.01)	(.11)	(.00)	(.91)	(.02)	(.03)	(.00)	(.19)	(.01)
LOG POPULATION DENSITY PEOPLE PER SQ KM OF LAND AREA	.01	-.01	-.03	-.01	.01	-.05**	-.08**	.00	.01
	(.25)	(.42)	(.22)	(.38)	(.55)	(.02)	(.02)	(.34)	(.20)
GOVERNMENT EFFECTIVENESS ESTIMATE	-.02	.09	.27	.09	-.02	.02	.24	.00	.14**
	(.80)	(.39)	(.11)	(.29)	(.79)	(.90)	(.23)	(.11)	(.03)
CONTROL OF CORRUPTION ESTIMATE	.02	.03	-.03	.04	.05	.09	.25	.00	-.04
	(.71)	(.73)	(.85)	(.61)	(.49)	(.42)	(.12)	(.84)	(.45)
POLITICAL STABILITY AND ABSENCE OF VIOLENCE TERRORISM ESTIMATE	-.03	-.06	-.24***	-.06	-.03	-.42***	-.17**	.00	-.01
	(.19)	(.12)	(.00)	(.07)	(.31)	(.00)	(.02)	(.82)	(.76)
REGULATORY QUALITY ESTIMATE	-.06	.08	-.02	.03	.13**	-.09	-.04	.00	.04
	(.17)	(.29)	(.90)	(.66)	(.03)	(.33)	(.78)	(.43)	(.37)
RULE OF LAW ESTIMATE	.08	-.16	-.21	-.01	-.20**	.08	-.33	-.01*	-.10
	(.26)	(.14)	(.25)	(.95)	(.03)	(.55)	(.12)	(.08)	(.13)
VOICE AND ACCOUNTABILITY ESTIMATE	.03	.11***	.35***	-.02	.13***	.02	.24***	.00	.05*
	(.32)	(.01)	(.00)	(.58)	(.00)	(.75)	(.01)	(.68)	(.06)
EAST ASIA AND OCEANIA	-.07	.02	.37***	-.01	.07	-.10	-.10	.00	-.12***
	(.14)	(.81)	(.00)	(.87)	(.28)	(.31)	(.47)	(.66)	(.01)
EUROPE AND EURASIA	.02	.21***	.72***	.11*	.24***	-.02	.42***	.00	-.11***
	(.62)	(.00)	(.00)	(.06)	(.00)	(.79)	(.00)	(.30)	(.01)
MIDDLE EAST AND NORTH AFRICA	.04	.08	.65***	.14	.19**	-.16	.13	.00	.16**
	(.53)	(.47)	(.00)	(.11)	(.04)	(.25)	(.51)	(.68)	(.02)
SOUTH AND CENTRAL ASIA	-.13***	.17***	.49***	.05	.12**	-.09	.06	.00***	-.08*
	(.00)	(.01)	(.00)	(.39)	(.04)	(.30)	(.66)	(.01)	(.07)
WESTERN HEMISPHERE	.10**	.07	.53***	.09	.17***	-.06	.07	.00	-.06
	(.02)	(.35)	(.00)	(.13)	(.00)	(.51)	(.59)	(.82)	(.16)
ISRAEL	-.17	-.18	-.23	1.54***	.02	-.54*	.10	.00	-.25
	(.28)	(.49)	(.58)	(.00)	(.92)	(.09)	(.84)	(.61)	(.11)
CYPRUS	-.06	.11	.26	.01	.35*	1.74***	-.14	.00	-.06
	(.68)	(.61)	(.48)	(.97)	(.07)	(.00)	(.75)	(.76)	(.67)
JORDAN	-.14	1.20***	1.82***	2.85***	.39**	.71***	.70*	.00	.17
	(.29)	(.00)	(.00)	(.00)	(.03)	(.01)	(.08)	(.99)	(.18)
WEST BANK AND GAZA	.54***	1.18***	1.95***	2.07***	1.18***	1.22***	1.99***	.00	-.26**
	(.00)	(.00)	(.00)	(.00)	(.00)	(.00)	(.00)	(.98)	(.05)
DEGREES OF FREEDOM	314	314	314	314	314	314	314	314	314
R SQUARED	0.36	0.34	0.51	0.72	0.42	0.51	0.37	0.07	0.19
ADJUSTED R SQUARED	0.32	0.30	0.48	0.70	0.38	0.47	0.33	0.00	0.14

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Appendix

Definitions of WGI Indicators:

- Control of Corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.
- Government Effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
- Political Stability and Absence of Violence/Terrorism measures perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism.
- Regulatory Quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
- Rule of Law captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
- Voice and Accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media (Kaufmann & Kraay, 2018).